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NATO: Some Allied permanent representatives have urged that NATO consider the implications for the Alliance of the new US economic policy.

In discussions last week at NATO, the dean of the Allied representatives, De Staercke of Belgium, suggested that the possibility of linkage between a settlement of monetary issues and further US support for NATO was too serious a question to be left solely to the Western finance ministers. The Canadian representative suggested that the North Atlantic Council address the problem. The Dutch and French representatives also noted the importance of the situation but argued that financial and trade problems had to be worked out in other forums.

When the discussion shifted to Allied preparations for talks on mutual and balanced force reductions (MBFR), the Canadian representative speculated that the US might decide that if the Allies are not "good boys" on the monetary questions it might unilaterally reduce its troop levels instead of waiting for reciprocal East-West reductions.

Summing up the discussions, Secretary General Brosio concluded that the monetary problems are critical to the Alliance, and although they are being considered elsewhere, NATO could contribute by making further progress on burden-sharing. He also echoed De Staercke's complaint that the Allies had been urged to "hurry up" preparations for MBFR and now had to wait for US positions to be presented in Brussels. Brosio noted that NATO cannot move ahead on MBFR without a firm US lead.

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LIBYA: The government will allow former King Idris' formal financial agreements with the sterling bloc to expire on 24 September. The relationship involved a Libyan obligation to hold at least 20 percent of total reserves in sterling deposits in England in return for a British commitment to guarantee the value of the deposits in the event of a devaluation of the pound sterling. Had Libya followed the lead of other sterling area countries, who are renewing their obligations for two years, UK banks would have been guaranteed as much as $500 million in additional Libyan deposits during the period. There is no indication as yet, however, that Libya intends to change its banking practices. The government reportedly does not plan to withdraw any of the estimated $500 million now on deposit in England.

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